

Message Text

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ACTION EB-07

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SUBJECT: TRADE CENTER CLOSING

REF: STATE 257415

1. FOLLOWING ARE VIEWS OF CONGEN MILAN ON SUBJECT WHICH EMBASSY
ENDORSES. SEPARATE MESSAGE FROM EMBASSY FOLLOWS: BEGIN QUOTE

1. I AM FULLY AWARE OF PRESIDENT'S PROGRAM TO IMPROVE U.S. ECONOMIC
SITUATION AND MILAN TRADE CENTER IS GUIDED BY THIS OBJECTIVE IN THIS
OPERATION. I AM ENTIRELY CONVINCED THAT PROPOSED CLOSURE OF MTC
WOULD HINDER RATHER THAN HELP ACHIEVE PRESIDENT FORD'S GOAL.
I THEREFORE URGE THAT BUDGETARY PROBLEM BE EXAMINED IN VERY
DISCRIMINATIVE LIGHT TO AVOID THROWING OUT BABY WITH BATH WATER.

2. TRADE CENTER OPERATION HERE IS, WITHOUT QUESTION, HELPING U.S.
MAINTAIN FOREIGN MARKET SHARE IN INCREASINGLY COMPETITIVE WORLD
ECONOMY IN WHICH COMPLEMENTARY IMPACT OF FAVORABLE DOLLAR EXCHANGE
RATE AND HARD SELLING ARE ESSENTIAL.

3. THE TECHNOLOGICAL GAP BETWEEN THE U.S. AND EUROPE IS FAR MORE
PRONOUNCED IN ITALY THAN IN FRANCE, GERMANY AND THE UK WHO PROVIDE
THE U.S. WITH ITS PRINCIPAL TECHNOLOGICAL COMPETITION IN THE
ITALIAN MARKET. THE VALUE PLACED BY ITALIAN TECHNICIANS ON THE
MTC AS A SHOWCASE FOR THE "STATE OF THE ART" IN THE U.S. SHOULD
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NOT BE UNDERESTIMATED.

4. SHOULD WESTERN EUROPE BE ENTERING RECESSION (WHICH WE DO NOT FORESEE IN ITALY) OR SHOULD DEMAND IN U.S. SERIOUSLY CONTRACT, U.S. COMPETITORS WILL INTENSIFY PROMOTION IN ITALIAN MARKET. WHILE PRONOUNCED U.S. TECHNOLOGICAL LEAD HAS THUS FAR GIVEN US EDGE IN SALES DESPITE HIGHER PRICES, THAT MARGIN COULD EVAPORATE IN MORE HIGHLY COMPETITIVE SITUATION. AT THAT MOMENT THE PROMOTIONAL EXPERTISE PROVIDED U.S. EXPORTERS BY THE MTC COULD WELL BE THE DECISIVE FACTOR ALLOWING U.S. TO DEFEND ITS MARKET SHARE.

5. MOREOVER, I DO NOT BELIEVE THAT USG WOULD REMAIN WITHOUT TRADE CENTER OR SIMILAR FACILITY IN ITALY VERY LONG. EVERY OTHER MAJOR TRADING STATE IS EXPANDING ITS MERCHANDISING EFFORTS HERE AND WITH NEXT BALLOONINGS OF U.S. BOP DEFICIT, USG WILL WISH ONCE MORE TO BE WHERE THE ACTION IS TO SUPPORT ITS INDUSTRIAL EXPORTS. BUT REVIVAL OF A DEAD TRADE CENTER WILL BE VERY COSTLY IN TERMS OF TRADE RESULTS FOR SOME YEARS UNTIL THE PRESENT MACHINE CAN BE REBUILT AND BROUGHT BACK TO THE SMOOTH, EFFECTIVE TOOL NOW AT OUR DISPOSAL.

6. CLOSURE OF MILAN TRADE CENTER WOULD MEAN DISPERSAL OF POWERFUL TEAM OF HIGHLY TRAINED LOCAL EMPLOYEES SPECIALIZED IN THE TARGETED MARKETING OF U.S. EXPORTS AS WELL OF LOSS OF LABORIOUSLY AMASSED AND PERISHABLE SALES PROMOTION DATA OF INCALCULABLE VALUE. MOREOVER, EFFECTIVENESS OF LOW COST OPERATION HERE HAS GROWN GEOMETRICALLY. AS IT HAS BECOME KNOWN AND DEPENDED UPON BY NOT ONLY ITALIAN ECONOMY, BUT ADJACENT MARKET IN YUGOSLAVIA, GREECE, SPAIN, AUSTRIA, SWITZERLAND AND OTHER MEDITERRANEAN STATES. TEN YEARS OF ACTIVE AND HIGHLY RESPECTED LIFE HAS MADE IT AN INSTITUTION WHICH CONTRIBUTES TO U.S. EXPORTS IN A PROPORTION FAR BEYOND THE COST OF ITS CURRENT OPERATION.

7. USG IS THE ONLY GOVERNMENT WITH EXHIBITION FACILITIES ON THE MILAN FAIR GROUNDS, ALTHOUGH SOME OF OUR POLITICAL AND TRADING COMPETITORS HAVE UNSUCCESSFULLY SOUGHT COMPARABLE FACILITIES. MOREOVER, THE U.S. GOVERNMENT ENJOYS THIS UNIQUE SITUATION WHILE PAYING LITTLE MORE THAN TOKEN RENT. SHOULD MTC BE CLOSED THIS ADVANTAGE OF BEING IN ON GROUND FLOOR WOULD BE PERMANENTLY LOST AND RE-ESTABLISHMENT WOULD UNQUESTIONABLY BE AT FAR HIGHER RENT IF COMPARABLY ADVANTAGEOUS SPACE COULD EVER LIMITED OFFICIAL USE

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AGAIN BE SECURED. MOREOVER, FOREIGN COMPETITORS MIGHT AT LAST BE ABLE TO GET CONCESSION THIS FAR DENIED THEM.

8. PROTECTION OF AMERICAN TAXPAYERS VALUABLE INVESTMENT IN TRADE CENTER AND MINIMIZATION OF LONG TERM COST TO HIM ARGUES FOR MAINTAINING FACILITY HERE EVEN IF SEVERE ECONOMIES MUST BE MADE FOR FY 76. WHILE SIGNIFICANT BUDGET CUT FOR MTC WOULD REDUCE ITS CONTRIBUTION TO U.S. EXPORTS, TO BALANCE OF PAYMENTS

EQUILIBRIUM AND TO MAINTENANCE OF A PROSPEROUS U.S. ECONOMY, IT
WOULD NEVERTHELESS NOT DISSIPATE A VALUABLE LONG TERM ASSET
THAT U.S. UNDOUBTEDLY WILL STILL NEED TOMORROW.

9. IT IS BECAUSE OF POSITIVE CONTRIBUTION THAT MTC IS MAKING
AND CAN CONTINUE TO MAKE TO ATTAINMENT OF PRESIDENT'S ECONOMIC
GOALS THAT I URGE IT BE KEPT ALIVE. (SIGNED) FINA. UNQUOTE.
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